

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

L-03 H-03 PA-03 PRS-01 USIA-12 RSR-01 /157 W

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R 171615Z JUL 73

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 4842

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L DUBLIN 0937

E.O. 11652: GDS

TAGS: EFIN, EI

SUBJ: US TAX PROPOSALS

REF: DUBLIN 0736

SUMMARY: IRISH INDUSTRIAL DEVELOPMENT AUTHORITY (IDA)
HELD PRIVATE MEETING JULY 13 OF ABOUT 50 AMERICAN
BUSINESSMEN AND REPRESENTATIVES OF US BUSINESS FIRMS
TO REPORT ON US VISIT BY GOI MINISTER FOR INDUSTRY AND
COMMERCE KEATING AND TO GIVE LATEST ON PROPOSED US TAX
MEASURES AFFECTING US INVESTMENT IN IRELAND. IDA
SAID APRIL 9 PROPOSALS WERE "EFFECTIVELY DEAD," AND
OUTLINED LATEST US THINKING. ACTION REQUESTED: PLEASE
PROVIDE LATEST USG PROPOSALS AND STATE OF PLAY ON TAX
BILL. END SUMMARY.

1. MEETING WAS CHAIRED BY IDA EXECUTIVE DIRECTOR
BRENDAN SWAN AND INCLUDED CHAIRMAN OF EXPORT ASSN,
EXECUTIVE DIRECTOR OF US CHAMBER, AND EMBASSY ECON/COMM
OFFICER. COMMENTS WERE EXTREMELY OPEN AND FRANK.

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2. SWAN SAID HE BELIEVED KEATING MISSION WAS ONLY FOREIGN

GOVT MISSION TO MAKE REPRESENTATIONS IN WASHINGTON RE TAX PROPOSALS. GROUP HAD SEEN OFFICIALS RESPONSIBLE FOR FRAMING, INTERPRETING, AND ENACTING LEGISLATION, INCLUDING BROAD RANGE OF HIGH-LEVEL ADMINISTRATION OFFICIALS AND MEMBERS OF CONGRESS, INCLUDING HOUSE WAYS AND MEANS COMMITTEE. GROUP WAS UNIFORMLY WELL RECEIVED.

3. SWAN SAID IDA'S BEST, UNOFFICIAL ESTIMATE WAS THAT USG'S APRIL 9 TAX PROPOSALS RE TAXING US INVESTMENT IN TAX-HAVEN COUNTRIES WERE "EFFECTIVELY DEAD." HE BASED THIS ON STATEMENTS OF HOUSE WAYS AND MEANS COMMITTEE AS WELL AS AMENDMENTS HE SAID HAD BEEN MADE BY US TREASURY ON JUNE 16 TO ADMINISTRATION PROPOSALS. SWAN SAID PROPOSALS NOW SEEMED SHAPE UP AS FOLLOWS:

A) DEFERRAL OF TAX ON UNREPATRIATED EARNINGS OF ALL US OVERSEAS SUBSIDIARIES WOULD BE CUT TO 50 PERCENT. REMAINDER WOULD BE SUBJECT TO TAX ON CURRENT BASIS.

B) TAX LIABILITY ON FOREIGN EARNINGS COULD BE SPREAD BETWEEN DIFFERENT COUNTRIES. THUS US COMPANY WITH SUBSIDIARIES IN GERMANY (WHERE EARNINGS TAXED) AND IN IRELAND (WHERE EXPORT PROFITS EXEMPT FROM IRISH TAX) COULD ELECT TO TAKE TAX LIABILITY ON EARNINGS MADE BY GERMAN PLANT, GETTING TAX CREDIT FOR TAXES PAID TO GERMANY AND AVOIDING HAVING PAY US TAXES ON EARNINGS MADE BY IRISH PLANT. SWAN CALLED THIS "GLOBAL CONCEPT." HE NOTED THIS WOULD NOT BENEFIT IRELAND TOO MUCH AS LARGE PROPORTION OF US INVESTORS LOCATE THEIR ONLY OVERSEAS PLANT HERE.

C) HOUSE WAYS AND MEANS COMMITTEE WAS CONSIDERING DEFERRAL OF TAXES FOR FIVE YEARS ON ALL NEW INVESTMENT TO LIMIT OF \$10 MILLION, AND PERHAPS PHASED BUILDUP TO 50 PERCENT TAXATION DURING SECOND FIVE-YEAR PERIOD.

D) US ADMINISTRATION NO LONGER ADVOCATING 20 PERCENT LIMIT OF REINVESTMENT BEFORE OVERSEAS EARNINGS BECOME SUBJECT TO TAX.

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E) THERE WAS NO CLEAR DETERMINATION THAT "RUNAWAY COMPANIES" WOULD BE TREATED PER SE IN BILL.

F) LEGISLATION WOULD NOT BE RETROSPECTIVE TO APRIL 9, 1973. BILL NOT LIKELY TO BE PASSED BEFORE END NOV 1973 OR EARLY 1974.

4. SWAN SAID WAYS AND MEANS COMMITTEE WANTED

"SIMPLE, FAIR BILL WHICH WOULD NOT ERODE BUSINESS POSITION. BUT WOULD SATISFY DOMESTIC OPINION."
HE SAID IRELAND HAD NOT ASKED FOR AND WOULD NOT GET SPECIAL TREATMENT IN IN BILL ALTHOUGH PROVISION FOR DEFERRAL OF TAXATION ON \$10 MILLION OF NEW INVESTMENT WOULD HELP AS AVERAGE INDIVIDUAL INVESTMENT HERE IS WELL BELOW THAT FIGURE. SWAN SAID CONGRESSMAN BURKE MADE NOISES ABOUT NOT WANTING HURT IRELAND AND WAS NOT OPTIMISTIC ABOUT PROSPECTS FOR BURKE-HARTKE BILL.

5. WHEN QUESTIONED WHETHER GOI WOULD MODIFY ITS INCENTIVE OF 15-YEAR EXEMPTION OF TAXES ON EXPORT PROFITS IF US TAX MEASURES WERE EXACTED, SWAN WAS RELUCTANT TO COMMENT, BUT MADE CLEAR THAT GOI HAD SOME ALTERATIONS IN MIND. HE SAID IRELAND WOULD NOT WANT TO SEE TAXES IT HAD WAIVED FLOWING INTO US TREASURY.

6. ACTION REQUESTED: EMBASSY DUBLIN NOT AWARE OF JUNE 16 "AMENDMENT," SWAN SAYS HAVE BEEN PUT FORWARD BY ADMINISTRATION TO ORIGINAL APRIL 9 TREASURY TAX PROPOSALS. PLEASE PROVIDE INFO ON ANY SUCH CHANGES, AS WELL AS RUNDOWN ON PROPOSALS LIKELY TO BE REPORTED OUT OF HOUSE WAYS AND MEANS COMMITTEE, PROSPECTS FOR ENACTMENT, AND TIMING OF LEGISLATION, INCLUDING EFFECTIVE DATE. SORENSON

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